



## MEMORANDUM

**TO:** Indiana District Superintendents, Charter School Leaders, Financial Officers and Special Education Directors

**FROM:** Office of School Finance

**DATE:** June 3, 2011

**SUBJECT:** School-based Medicaid Audit in West Virginia

Several Indiana school districts have notified IDOE that they received, by U.S. Mail postmarked from Austin, Indiana, a copy of a Medicaid audit finding from the State of West Virginia. As this audit report indicates, West Virginia and the federal government disagree on whether West Virginia improperly permitted its contractor, Public Consulting Group (PCG), to include certain costs when developing the medical services reimbursement rates paid for school-based Medicaid services in West Virginia. The report, prepared by the Office of Inspector General, U.S. Department of Health and Human Services, states that the OIG recalculated the rates in question and recommended recouping the difference between amounts paid for school-based medical service claims and the lesser amount that OIG determined to be allowable. West Virginia has contested this audit finding. According to PCG, the State has filed appeals with the United States Department of Health and Human Services Departmental Appeal Board (DAB) and US District Court, Southern District to seek relief.

Public Consulting Group is not involved in Medicaid rate setting for school-based services in the State of Indiana. Indiana Department of Education has contracted with PCG to implement the State's new electronic IEP replacing ISTART7. As part of the Indiana IEP contract, PCG has been designated the single statewide vendor to administer quarterly time studies and implement the State's new federally approved school-based Medicaid Administrative (not medical) Claiming methodology. For a description of the new, voluntary IndianaMAC program please refer to the Superintendent's Mail dated April 29, 2011.

As noted in an AASA (American Association of School Administrators) policy brief (<http://www.aasa.org/content.aspx?id=3680>), many states participate in school-based Medicaid Administrative Claiming because federal "MAC" funds contribute significantly to schools' ability to fulfill their educational mission. Of 13 other states implementing school-based MAC programs since 2008, seven (Kentucky, Louisiana, New Jersey, Colorado, West Virginia, Wisconsin, DC) joined Indiana in choosing PCG to help administer some aspect of their program. PCG currently performs similar work in Arizona, Kansas, Georgia, Illinois, Michigan, and North Carolina. A previous federal MAC audit involving Chicago Public Schools (and its contractor PCG) resulted in minimal findings.

Selecting a single, statewide MAC vendor is a common strategy to minimize the risk of errors and simplify program administration at both the state and local level. Because at least 2700 “moments” must be sampled to achieve statistical validity, spreading the quarterly time study burden across all participating districts in the state reduces the amount of time invested by local staff at each district. Similarly, using one team of centralized coders to assign reimbursement codes to time study documentation improves consistency in results across the entire statewide sample. Hence, the IDOE has chosen to use one vendor rather than several to administer IndianaMAC under the oversight of the state agencies involved. Please note that Indiana districts remain free to use any billing agent they choose when claiming Medicaid reimbursement for covered IEP health-related services.

Please contact Tracy Brunner, [tbrunner@doe.in.gov](mailto:tbrunner@doe.in.gov) or John Hill, [jhill@doe.in.gov](mailto:jhill@doe.in.gov) if you have questions or comments regarding this matter.